

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MARKET TEST OF EXPERIMENTAL PRODUCT –
PLUS ONE

Docket No. MC2022-20

**UNITED STATES POSTAL SERVICE REQUEST
TO CONVERT PLUS ONE TO A PERMANENT OFFERING**
(November 10, 2021)

Pursuant to 39 U.S.C. § 3642 and 39 C.F.R. § 3045.18, the United States Postal Service hereby requests to convert the experimental product Plus One into a permanent offering on the Mail Classification Schedule.

On August 13, 2019, the Postal Service filed a notice in Docket No. MT2019-1 announcing its intent to conduct a market test of an experimental product called Plus One, and demonstrated that the market test would comply with applicable legal requirements. The Commission found that the market test met the requirements of 39 U.S.C. § 3641 and 39 C.F.R. part 3045 and authorized the market test to proceed in Order No. 5591 on September 20, 2019.

Now that the market test has proved successful, The Postal Service has determined to insert Plus One into the Mail Classification Schedule under section 1205.5 (Market Dominant Products: USPS Marketing Mail (Commercial and Nonprofit): High Density and Saturation Letters: Optional Features). Plus One will provide a permanent new direct mail offering to advertisers that will benefit the Postal Service and the mailing industry more broadly. The Postal Service anticipates increased volume and contribution through organic market growth for marriage mail Saturation Letter

mailers and the additional Plus One mail piece. To date the market test has demonstrated Plus One's efficient and simple operational implementation, indicating its ability to financially enhance the Postal Service's business model, solidifying mail presence in existing markets while facilitating expansion into new markets, and displaying the Postal Service's willingness to innovate around its core mail products. With an enhanced mail channel offering, Plus One increases impressions for advertisers, offering a gateway for small businesses to try solo mail at a lower price point, and leveraging marriage mailers to sell additional mail (rather than just inserts).

39 U.S.C. 3642 and the Commission's implementing rules at 39 C.F.R. Part 3045.18 set forth the conditions for adding a non-experimental product based on an experimental product to the product list. As explained below, Plus One satisfies all of these conditions:

Compliance with 39 C.F.R. § 3045.18(b) Requirements

As required by subsections (b)(1)-(3) of section 3045.18, Plus One will offer the same service as the current experimental product described as Plus One in Docket No. MT2019-1, with the same distinct costs and market characteristics, and is based on the data collected from the current market test proceeding.

Compliance with 39 C.F.R. § 3045.18(c) Requirements

Pursuant to subsection (c) of section 3045.18, the market test and docket number that the proposed non-experimental product or price category is based on is named Plus One, and can be found in Docket No. MT2019-1. The relationship between

the proposed non-experimental product and market test is one-to-one; this Request seeks to convert the experimental product at the heart of this market test to the permanent product list.

The Postal Service intends to add Plus One to the USPS Marketing Mail (Commercial and Nonprofit) class of the Mail Classification Schedule, with a price of \$0.10 per piece, as set forth in Attachment A to this Request. Rather than serving as a standalone product, Plus One will function as an add-on option similar to Detached Marketing Labels (DML), and will be limited in its availability to Marketing Mail Saturation Letter mailers who combine advertisements from their customers into a single envelope. Requirements would include that the host marriage mailpiece be at least 90% Saturation, and that the Plus One advertiser have a relationship with the host mailer (i.e. must have advertised within the envelope recently).

As a general rule, new products do not have price cap implications, and this is true whether or not the product was the subject of a market test. As a new product, Plus One lacks volume history and billing determinants that can be used to calculate a price cap effect, and the Commission does not consider market test data in calculating billing determinants. See, e.g. 39 C.F.R. 3045.15, limiting test revenue to \$10 million, and therefore limiting volumes; Docket No. MC2012-31, Adding EDDM-Retail etc., Order No. 1460 (increase from market test price to price charged when product added to Market Dominant list is not a rate change subject to 39 U.S.C. 3622(d)). Additionally, as a new product add-on, Plus One does not divert volume from an existing product such that billing determinants could be inferred. Order No. 1917 (concluding there is no change in rates pursuant to 39 C.F.R. §§ 3010.23(c) and (d) for an experimental

product being converted to permanent product where there is no change in price, and there is no shift in volume between price categories).

Pursuant to subsection (c)(3) of section 3045.18, the Postal Service assumes that the market for Plus One that has persisted over the course of the market test remains stable and will continue as projected for the permanent product.

Pursuant to subsection (c)(4) of section 3045.18, the Postal Service has included all data collection reports filed over the course of the market test to provide the financial model supporting the request, found in Attachment B. The Postal Service is refiling the data collection reports comprising Attachment B under seal, as they contain commercially sensitive information and should not be made public. Pursuant to 39 C.F.R. § 3011.201(c), the Postal Service incorporates by reference the application for non-public treatment that accompanied the Quarter 2 FY 2020 report from its market test proceeding in Docket No. MT2019-1.¹ The unredacted version of Attachment B has been uploaded to the Non-Public folder on USPS ELFS. A redacted version of the report is attached to this request.

Pursuant to subsection (c)(5) of section 3045.18, the product-specific costs associated with the development of the market test total \$457,300 (including program management and IT-related costs). See Table 1 for a quantification of the costs involved in this figure.

Table 1

¹ Letter from David H. Rubin to Hon. Erica A. Barker (April 24, 2020).

FY19 through FY21 Program Costs			
FY19 IT Development			\$417,000
FY20 Program Management			\$20,151
FY21 Program Management			\$20,151
			\$457,302
Program Management = 4 hours per week at \$96.88/hr			

In light of all of the above, the Postal Service submits that Plus One meets the criteria for converting a market test to permanent status. A copy of the Governors' resolution authorizing this request is included in Attachment C, pursuant to 39 CFR 3040.131(b).

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Nabeel Cheema
Chief Counsel, Pricing & Product Support

Sean C. Robinson

475 L'Enfant Plaza, SW
Washington, D.C. 20260-1137
(202) 268-8405
Sean.C.Robinson@usps.gov
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ATTACHMENT A TO REQUEST

CHANGES TO MAIL CLASSIFICATION SCHEDULE

(Additions are underlined. Some unchanged language is included, but only to show the location of the changes.)

PART A

MARKET DOMINANT PRODUCTS

1000 Market Dominant Product List

USPS MARKETING MAIL (COMMERCIAL AND NONPROFIT)*

High Density and Saturation Letters
High Density and Saturation Flats/Parcels
Carrier Route
Letters
Flats
Parcels
Every Door Direct Mail—Retail

* * * * *

1200 USPS Marketing Mail (Commercial and Nonprofit)

* * * * *

1205 High Density and Saturation Letters

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1205.5 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

- Forwarding-and-Return Service
- Ancillary Services (1505)
 - Address Correction Service (1505.1)
 - Certificate of Mailing (1505.6)
- Full-service Intelligent Mail Option
- Seamless Incentive

- Picture Permit Imprint Indicia
- Plus One
- Emerging and Advanced Technology Promotion (March 1, 2021 to August 31, 2021)
- Earned Value Reply Mail Promotion (April 1, 2021 to June 30, 2021)
- Mobile Shopping Promotion (August 1, 2021 to December 31, 2021)
- Tactile, Sensory, and Interactive Mailpiece Engagement Promotion (February 1, 2021 to July 31, 2021)
- Informed Delivery Promotion (September 1, 2021 to November 30, 2021)

* * * * *

1205.6 Prices

Saturation Letters (3.5 ounces or less)

Entry Point	Commercial (\$)	Nonprofit (\$)
Origin	0.197	0.117
DNDC	0.176	0.096
DSCF	0.172	0.092

High Density Plus Letters (3.5 ounces or less)

Entry Point	Commercial (\$)	Nonprofit (\$)
Origin	0.210	0.125
DNDC	0.189	0.104
DSCF	0.185	0.100

High Density Letters (3.5 ounces or less)

Entry Point	Commercial (\$)	Nonprofit (\$)
Origin	0.239	0.153
DNDC	0.218	0.132
DSCF	0.214	0.128

Move Update Noncompliance Charge

Add \$0.07 per piece in a mailing that does not comply with the Move Update standards.

Move Update Assessment Charge

Add \$0.08 per assessed piece, for mailpieces that fail Move Update verification under the Address Quality Census Measurement and Assessment Process, with more than 0.5 percent for mailpieces submitted by a mailer in a calendar month having COA errors, and which cannot demonstrate compliance with Move Update requirements.

Forwarding-and-Return Service

If Forwarding Service is used in conjunction with electronic or automated Address Correction Service, forwarded letters pay \$0.52 per piece. All other letters requesting Forwarding-and-Return Service that are returned are charged the appropriate First-Class Mail price for the piece multiplied by a factor of 2.472.

Full-service Intelligent Mail Option

Subtract \$0.003 for each letter that complies with the requirements for the Full-service Intelligent Mail option.

Seamless Incentive

Subtract \$0.001 for each piece eligible for Seamless Acceptance and prepared under the Full-Service Intelligent Mail option.

Picture Permit Imprint Indicia

Add \$0.021 for each piece that includes Picture Permit Imprint Indicia.

Plus One

Add \$0.10 for each Plus One card mailed with a Saturation Letter marriage mail “host” mailpiece.

Emerging and Advanced Technology Promotion (March 1, 2021 to August 31, 2021)

Provide a two percent discount on the qualifying postage for First-Class Mail letters, postcards, and flats, and USPS Marketing Mail letters and flats that are sent during the established program period, and which either include affixed or embedded technology that allows the recipient to engage in technological experience, or were automatically generated by the recipient's applicable online activities. To receive the discount, mailers must comply with the eligibility requirements of the program.

Earned Value Reply Mail Promotion (April 1, 2021 to June 30, 2021)

Provide a \$0.02 per piece rebate for each qualifying Business Reply Mail, Courtesy Reply Mail, and Share Mail piece. Qualifying mailpieces must meet program requirements and be placed in the mailstream by the recipient and scanned during the program period. To receive the rebate, registered customers must have distributed a Business Reply Mail, Courtesy Reply Mail, or Share Mail card or envelope, and must comply with all other eligibility requirements of the program. Mailers who have satisfied the Earned Value promotion requirements may apply the credit toward future mailings of First-Class Mail cards, letters, and flats and USPS Marketing Mail letters and flats.

Mobile Shopping Promotion (August 1, 2021 to December 31, 2021)

Provide a two percent discount on the qualifying postage for USPS Marketing Mail letters and flats which include, inside or on the mailpiece, a mobile barcode or other qualifying technology that facilitates a mobile optimized shopping experience. To receive the discount, the qualifying mail must be sent during the established program period by mailers that comply with the eligibility requirements of the program.

*Tactile, Sensory, and Interactive Mailpiece Engagement Promotion
(February 1, 2021 to July 31, 2021)*

Provide a two percent discount on the qualifying postage for USPS Marketing Mail letters and flats that incorporate scent, sound, visual, textural, dimensional, or other qualifying enhancements. To receive the discount, the qualifying mail must be sent during the established program period by mailers that comply with the eligibility requirements of the program.

Informed Delivery Promotion (September 1, 2021 to November 30, 2021)

Provide a 2 percent discount on the qualifying postage for First-Class Mail automation letters, postcards, and flats, and USPS Marketing Mail automation letters and flats that are sent during the established program period, and which incorporate Informed Delivery campaigns as a component of their mailings. To receive the discount, mailers must comply with the eligibility requirements of the program.

ATTACHMENT B TO REQUEST
REDACTED MARKET TEST QUARTERLY DATA COLLECTION REPORTS

Attachment 1

Docket No. MT2019-1
Data Collection Report for FY 2020, Quarter 1

The following information is provided pursuant to the Commission's request for Plus One data (Order No. 5329 at 14).

FY 2020, Q1: Plus One Volume and Revenue By Region					
	Price	Volume (M)	% Volume	Revenue (K)	% Revenue
West	\$0.085				
Northeast	\$0.090				
Midwest	\$0.095				
South	\$0.100				
TOTAL			100.00%		100.00%

While more customers have registered for the market test, and are expected to participate in subsequent quarters, two customers participated during quarter 1. The average number of Plus One cards per mailing was 224,046. Total attributable cost, including administrative costs, was \$ [REDACTED].

Attachment 1

Docket No. MT2019-1
Data Collection Report for FY 2020, Quarter 2

The following information is provided pursuant to the Commission's request for Plus One data (Order No. 5329 at 14).

FY 2020, Q2: Plus One Volume and Revenue By Region					
	Price	Volume (M)	% Volume	Revenue (K)	% Revenue
West	\$0.085				
Northeast	\$0.090				
Midwest	\$0.095				
South	\$0.100				
TOTAL			100.00%		100.00%

While more customers have registered for the market test, and are expected to participate in subsequent quarters, just three customers participated during quarter 2. The average number of Plus One cards per mailing was 209,182. Total attributable cost, including administrative costs, was \$[REDACTED].

Docket No. MT2019-1
Data Collection Report for FY 2020, Quarter 3

The following information is provided pursuant to the Commission's request for Plus One data (Order No. 5329 at 14).

Q3: Plus One Volume and Revenue By Region					
	Price	Volume (M)	% Volume	Revenue (K)	% Revenue
West	\$0.085				
Northeast	\$0.090				
Midwest	\$0.095				
South	\$0.100				
TOTAL			100.00%		100.00%

While more customers have shown interest in the market test, and are expected to participate in subsequent quarters, just three customers participated during quarter 3. The average number of Plus One cards per mailing was 175,450. Total attributable cost, including administrative costs, was \$[REDACTED].

Attachment 1

Docket No. MT2019-1
Data Collection Report for FY 2020, Quarter 4

The following information is provided pursuant to the Commission's request for Plus One data (Order No. 5329 at 14).

Q3: Plus One Volume and Revenue By Region					
	Price	Volume (M)	% Volume	Revenue (K)	% Revenue
West	\$0.085				
Northeast	\$0.090				
Midwest	\$0.095				
South	\$0.100				
TOTAL			100.00%		100.00%

Three customers participated during quarter 4.

The average number of Plus One cards per mailing was 236,923.

Total attributable cost, including administrative costs, was \$ [REDACTED].

Attachment 1

Docket No. MT2019-1
Data Collection Report for FY 2021, Quarter 1

The following information is provided pursuant to the Commission's request for Plus One data (Order No. 5329 at 14).

FY21 Q1: Plus One Volume and Revenue By Region					
	Price	Volume (M)	% Volume	Revenue (K)	% Revenue
West	\$0.085				
Northeast	\$0.090				
Midwest	\$0.095				
South	\$0.100				
TOTAL			100.00%		100.00%

Three customers participated during FY21 quarter 1.

The average number of Plus One cards per mailing was 359,032.

Total attributable cost, including administrative costs, was \$ [REDACTED].

Attachment 1

Docket No. MT2019-1
Data Collection Report for FY 2021, Quarter 2

The following information is provided pursuant to the Commission's request for Plus One data (Order No. 5329 at 14).

FY21 Q2: Plus One Volume and Revenue By Region					
	Price	Volume (M)	% Volume	Revenue (K)	% Revenue
West	\$0.085				
Northeast	\$0.090				
Midwest	\$0.095				
South	\$0.100				
TOTAL			100.00%		100.00%

Three customers participated during FY21 quarter 2.

The average number of Plus One cards per mailing was 222,221.

Total attributable cost, including administrative costs, was \$ [REDACTED].

Attachment 1

Docket No. MT2019-1
Data Collection Report for FY 2021, Quarter 3

The following information is provided pursuant to the Commission's request for Plus One data (Order No. 5329 at 14).

FY21 Q3: Plus One Volume and Revenue By Region					
	Price	Volume (M)	% Volume	Revenue (K)	% Revenue
West	\$0.085				
Northeast	\$0.090				
Midwest	\$0.095				
South	\$0.100				
TOTAL			100.00%		100.00%

Three customers participated during FY21 quarter 3.

The average number of Plus One cards per mailing was 319,444.

Total attributable cost, including administrative costs, was \$ [REDACTED].

Attachment 1

Docket No. MT2019-1
Data Collection Report for FY 2021, Quarter 4

The following information is provided pursuant to the Commission's request for Plus One data (Order No. 5329 at 14).

FY21 Q4: Plus One Volume and Revenue By Region					
	Price	Volume (M)	% Volume	Revenue (K)	% Revenue
West	\$0.085				
Northeast	\$0.090				
Midwest	\$0.095				
South	\$0.100				
TOTAL			100.00%		100.00%

Three customers participated during FY21 quarter 4.

The average number of Plus One cards per mailing was 352,070.

Total attributable cost, including administrative costs, was \$ [REDACTED].

**ATTACHMENT C TO REQUEST
RESOLUTION OF THE GOVERNORS
OF THE UNITED STATES POSTAL SERVICE**

**RESOLUTION OF THE GOVERNORS
OF THE
UNITED STATES POSTAL SERVICE**

Resolution No. 21-28

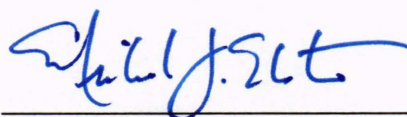
**Conversion of Plus One Market Test
into a Permanent Offering Listed on the Mail Classification Schedule**

RESOLVED:

Pursuant to Section 3642 of Title 39, United States Code, the Postal Service is hereby directed to file a request with the Postal Regulatory Commission to convert the Plus One market test into a permanent offering listed on the Mail Classification Schedule, with a price of \$.10 per piece.

Postal management is also instructed to provide the required public notice and to file with the Postal Regulatory Commission the mail classification changes, and other supporting documents, in accordance with Part 3045 of Title 39, Code of Federal Regulations.

The foregoing Resolution was adopted by the Governors, and takes effect, on November 9, 2021.



Michael J. Elston
Secretary of the Board of Governors